



## ANNUAL USE OF CAPITAL SURVEY - 2009

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Timberland Bancorp, Inc.

Person to be contacted regarding this report:	Michael Sand
CPP Funds Received:	\$16,641,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	12/23/2008
Date Repaid <sup>1</sup> :	

RSSD: (For Bank Holding Companies)	2621548
Holding Company Docket Number: (For Thrift Holding Companies)	1107
FDIC Certificate Number: (For Depository Institutions)	28453
City:	Hoquiam
State:	Washington

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	Overall lending increased during 2009 due to historically low interest rates. The increase was primarily due to refinancing activity in the 1 to 4 unit residential segment. TARP funds did support the continuance of lending in the owner-builder and commercial construction sectors
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	TARP capital which increased Holding Company Capital did support continued lending in the Commercial Real Estate and Owner-Builder construction sectors.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	
<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	

<input checked="" type="checkbox"/>	Reduce borrowings	While it is difficult to quantify the reduction in borrowing specifically associated with TARP capital it can be said that such capital did contribute to liquidity and therefore likely exerted a small impetus to reduce borrowings marginally.
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	The Holding Company has retained a portion of the TARP Capital at the Holding Company level which will continue to be held for either a future injection into its subsidiary, Timberland Bank, or the future repayment of TARP to the US Treasury.

What actions were you able to avoid because of the capital infusion of CPP funds?

The subsidiary of the Holding Company, Timberland Bank, was able to continue lending to support its local communities in the commercial real estate and owner-builder construction sectors due to the confidence associated with an increased capital level.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The Holding Company's subsidiary, Timberland Bank, was able to avoid a curtailment in lending in certain sectors due to the acquisition of additional capital.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.